

**CITY OF CHULA VISTA
MINUTES
MOBILEHOME RENT REVIEW COMMISSION**

Wednesday, May 19, 2010
6:00 P.M.

**CITY HALL
COUNCIL CHAMBERS**

CALL TO ORDER/ROLL CALL – 6:04 P.M.

PRESENT: Brett Davis, Steve Epstein, Rudy Gonzalez, Pat LaPierre, Sam Longanecker, Cesar Padilla, Ramon Riesgo

STAFF: Mandy Mills, Redevelopment & Housing Manager
Stacey Kurz, Senior Project Coordinator
Simon Silva, City Attorney

1. APPROVAL OF MINUTES

April 15, 2010

Members requested that future approval of meeting minutes reflect the reason for abstaining, as applicable. Member Gonzalez, made a motion to approve the minutes as otherwise written. Member Davis seconded the motion. All other members agreed to approve the motion.

2. STAFF COMMENTS (Moved up on agenda from #3 by Chair Padilla)

- ❖ Upcoming events – Staff Kurz provided a brief update on upcoming events that may be of interest to commission members and/or the public as follows:
 - Civic Center Library Veteran's Wing Opening – Located at 365 F Street, ceremony to dedicate the new wing will take place at 3 p.m. on June 4th.
 - Boards & Commission Recognition Event – Annual event for commissioner to be held June 23rd at City hall beginning 7 p.m.
 - South Bay Homeownership Resource Fair – To be held at City Hall from 9:30 a.m. – 2:00 p.m. on June 26th for anyone interested in purchasing a new home in the south bay of San Diego or existing homeowners.

3. BRENTWOOD MOBILE HOME PARK

Chair Padilla opened the hearing indicating that both the park owner and residents would receive equal time to present their case. Residents were to receive two (2) minutes a piece, and if they had time donated a cumulative amount of time based on the number of donated speaker slips. Chair Padilla then asked Staff Kurz to provide a brief overview of the staff report that was included in the agenda packet and the recommendation as proposed.

Chair Padilla invited the park owner to the podium and notified him that he had up to 72 minutes (equal to the number of speaker slips submitted by residents)

Park owner representative William Dahlin provided an overview of Exhibit 3, the park owner's submittal, and provided an update to pages 17-18 and an additional submittal titled Aspen Group Electric Utility Analysis, both included in the June 16th agenda packet.

Mr. Dahlin summarized that a fair rate of return for this type of investment is expected to be 12.6% on the conservative side. Most investors expect rents to keep pace at least with inflation. So, in order to compensate the investor whose rents are going to go up slower than an investor that purchased a non-rent controlled park (which covers most of the United States) a higher rate of return is recommended. In Mr. Dahlin's opinion, the appropriate rate of equity return for this park is over 13%, and therefore the requested rate of return of 9%, is conservative. Mr. Dahlin also indicated that the park has a program for

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those that are having difficulty making their monthly rental payment, and that someone can pick up information at the park management office regarding.

Vice Chair Gonzalez questioned the hand out in item #3, showing the purchase of street lights and fixtures and poles, but it doesn't show the installation? Mr. Dahlin responded indicating that they have been installed and the cost was folded into one of the other line items.

Chair Padilla complemented Mr. Dahlin on the information that had been provided to the Commission. Mr. Dahlin responded indicating that he pointed that out at the beginning of the presentation, these are the hard, out of pocket expenses that the park owner is asking for reimbursement spread out over time.

Vice Chair Gonzalez asked how capital expenses differ from maintenance expenditures? Whether a rebate program is available from SDG&E for upgrades, how the \$700 fee was determined, and how the market rent for incoming tenants was determined?

Member Riesgo asked if there were projects pending due to the outcome of this meeting? Mr. Dahlin responded that it was the parks intent to complete all projects that have been itemized, the largest hold-up has been the laundry room and the owner is awaiting issuance of building permits from the City in order to complete this item.

Chair Padilla questioned staff as to whether all capital expenditures, as identified in the analysis (#17 & 18) are all acceptable expenses for consideration in the hearing on rent increases? Deputy City Attorney Silva responded that the commission has the ability to look at all expenses as identified in Chula Vista Municipal Code §9.50.073 (Factors to Consider in Fixing Space Rent Through the Hearing Process). The exception per CVMC 9.50.073 is any expense for which the park owner has been reimbursed or if a replacement or repair incurred as a result of the park owner's negligence.

Member Epstein asked whether the installation of the fire hydrants was a mandated/wanted condition of taking over the park? Mr. Dahlin indicated that it was a negotiated item with the City.

Chair Padilla invited affected residents to speak.

Irene Bourke (time donated by Edna Irwin and Hope Peterson): Ms. Bourke indicated that she is a resident of Granada Mobilehome Park, and looked at her purchase there as a retirement home. She indicated that mobilehomes are not really mobile and you are both an owner and renter. Rent control was upheld as a right by the Superior Courts and continue to see parks bought by big corporations. Ms. Bourke provided comparisons to apartment living and she feels that some Spanish speaking people have been coerced into signing things that they don't understand. Ms. Bourke also indicated that she visited Orange Tree, a resident owned park and their HOA dues were \$60 per month. She summarized indicating that many residents don't know their rights and are afraid of consequences from management, and a poor investment decision to purchase the park should not give them higher rents.

Alicia McGinnis (time donated by Evelyn Holland, Buster Blair, Gerry Leos, Frank Suriano, Helen Thompson and Dennis Holland): Ms. McGinnis indicated that she is a resident of Otay Lakes Lodge and addressed two items that the mobilehome park owner is trying to pass on to the renters in Brentwood. According to the Public Utilities Commission (PUC) – park owners receive discounts when they have submetered electric systems and are therefore unable to pass the cost to replace the electrical system. The city storm drain cost was passed on to residents who pay an average of \$550 a month. Ms. McGinnis gave a comparison of Bayview Mobilehome Park and Brentwood as she indicated have similar financial circumstances and read from Dr. Barr's analysis page ii. Commissioner Gonzalez asked for copies of her documentation, which are included in the June 16th agenda packet.

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Daniel Runyan (time donated by Ignacio Villanueva, Catalina Silva, Esther Martinez, Dorothy Johnson, Ofelia Amador, Julian Cornwall, F. Dalict and William Whelden): Mr. Runyan has lived at Brentwood for 22 years. He indicated that the economy in San Diego is in or near depression, with high unemployment and school weeks being reduced, causing parents to incur the expense of a babysitter. Mr. Runyan further described other economic signs including: high rates of foreclosures, cities near bankruptcy, and high donations to food banks. He further went on to say that the elderly are facing higher medical costs and if this rent increase occurs, this would mean a loss of taxable dollars in Chula Vista because the rent increase money will not be spent here. He then read an excerpt from 9.50.073, Section F referring to the timing of increases and he indicated this timing is totally wrong.

Norma Runyan (time donated by Helen Kellish and Raul Alvarez): Ms. Runyan is a Brentwood resident and President of the HOA. Ms. Runyan stated that people in Brentwood can't afford a rent increase, with several single moms and unemployed people. Ms. Runyan questioned how the new fire hydrants were paid for? She further indicated that the park owner sent out letters subsequent to the original notice that were seen by many as a threat with the "\$32.00 being non-negotiable" language. She further indicated that at the Voluntary Meeting the park owner offered \$40,000 to the HOA if the case did not go to hearing and she took it as a bribe.

Staff Kurz gave some information to clarify the situation regarding the Title 25 code violations at the park under the previous park owner. Deputy City Attorney Silva further advised the Board that the standard is that the electrical repair does fall within the things that they can ask for. However, it is a factual interpretation whether 1) it was a serious code violation or 2) that negligent or there was a failure of the park owner to maintain it. So, that is the factual part that they have to decide whether it is allowable or not allowable.

Penny Vaughn (time donated by Jackie Wigle, Sophie Marian and Angela Surriano): Ms. Vaughn is President of the Chula Vista Mobilehome Residents Association and resident at Otay Lakes Lodge. Ms. Vaughn indicated that she was concerned that the park owners paid for the repair of the storm drain and not the City. Ms. Vaughn stated that new residents were paying \$675 per month and the park has added 9 new spaces. She further indicated that the park is spending \$20,000 to demolish the current laundry rooms, but that will provide two new spaces at \$675 a month. Is the income from these new spaces shown anywhere in their proposal? Ms. Vaughn stated that the discount from SDG&E was about \$11.38 in 2004, and some of the electric in spaces is not working. She expressed her concern whether the upgrade to such a large electric system was necessary. Ms. Vaughn's further expressed her concern that this decision will have a trickle-down affect and that the appraiser hired by the park owner is with prejudice. Ms. Vaughn further indicated concern over the City's previous ability to hire a fair return analysis expert, but inability to do so now in a time of need.

Commissioner Gonzalez asked if the \$675 per month rent was for a single or double-wide unit. Mr. Dahlin stated that the cost for either was \$675.

Chair Padilla asked the Spanish interpreter to the podium.

Elsa Riviera: Ms. Riviera, a Brentwood resident indicated that there have always been sewage problems at the park.

Victoria Morrison: Ms. Morrison is a Brentwood resident and indicated that she was saddened by the continual increases. She indicated that they do not need new laundry rooms and knows that park owner is making millions. She further indicated that her only source of income is Social Security, which in the past increased every year but has now been cut and she is alone and unable to vacation due to her medical costs and need to purchase food.

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Jesus Nava and Samantha Tassinari chose not to speak. Chair Padilla asked the interpreter to explain that the park has a program for those that cannot afford to pay their rent and she then returned to the translation booth.

Oscar Stanley: Mr. Stanley, a Brentwood resident and former President of the HOA, expressed that the new owners have made needed repairs to bring the park “up to speed” and make it look like some of the other parks. He further indicated that he is speaking for 60-70 people that don’t mind the increase, some of which have been told to keep quiet regarding the matter.

Theresa Milks chose not to speak.

James Brown: Mr. Brown is a resident of Brentwood and stated that people on Social Security will not be getting any increase for two years.

Sheldon Goldie: Mr. Goldie is a resident at Granada and is not affected by the increase, but wanted the Board to think about the economic situation. He indicated that \$100 a month is nothing for a large corporation, but \$100 is a lot of money if you’re on a fixed income, it means getting an additional job or cutting an essential need.

Jim Matney (time donated by Kenneth Small): Mr. Matney is not affected and lives in the Chula Vista Mobile Home Park. He was a member of the Stakeholders group that met and they were given papers stating that Brentwood had been penalized in 2006 and there was about \$55,000 in penalties that had been incurred by the previous park owners and further indicated it was his understanding that the matter ended in litigation. Mr. Matney questioned where that money went? Staff Kurz explained that the City collects, through pass throughs, a small portion of the costs associated with running the Title 25 inspection program. Deputy City Attorney Silva added that the litigation had been settled and there were no funds remaining. Mr. Matney stated that the residents did not have the funds to solicit a second opinion, but suggested that funds should be found for this purpose.

Theresa Acerro: Ms. Acerro, President of the Southwest Chula Vista Civic Association, stated that Brentwood had been a mess and there were numerous code violations that generated \$250,000 in fines. She also questioned where the money from these violations went? She expressed that the new owners knew about the violations and costs before they purchased the park and it is not fair to pass those expenses on to the residents. She indicated that the park owner’s attorney stated that they had received a consideration for the fire hydrants – why are they trying to get compensation from the residents now? Ms. Acerro summarized by indicating that she does not think they are legally allowed to pass on the costs of the electric system to the residents and the rent increase is unfair.

Delores Dempsey: Ms. Dempsey is from Granada Mobile Estates and stated that when the park was bought rent control was in effect and the new owners were aware of that prior to the purchase. Ms. Dempsey then began to poll the audience asking how many people were living in mobile home parks if it was the first time they had lived in a park and indicated that the response shows that they came in with a lot of trust and this is especially difficult now because of the economy.

Daniel Cacho: Mr. Cacho is an unaffected park owner from Don Luis Estates and indicated that the Commission has a job to be fair to both sides, and cannot only consider the accusations of the residents but have to protect the park owners too. He further expressed that the Board has to protect the park owners that are doing a good so the parks are not sold to large corporations.

Bob Wisherd: Mr. Wisherd is a Brentwood resident and wanted the Board to remember that last fall Social Security and government retirements had all increases frozen but cost of living has gone up. People have had to bite the bullet and feel the park owners should too.

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Park Owner Rebuttal (5 minute maximum)

Mr. Dahlin indicated that the owners have considered the expense to residents and that is why the proposal of \$96 will be spread over 3 years. The money they are asking for has already been spent and the rent increase is only reimbursement for that money, completed by local workers with money spent here in Chula Vista. Mr. Dahlin further indicated that one-third of the park is in agreement that the rent increase is appropriate, but to enact it a 50% approval is needed. When the 50% is not reached, the matter is presented to the Board.

Resident Rebuttal (5 minute maximum)

Alicia McGinnis would like to clarify where the monies from the code violations went and what concessions were considered at time of purchase.

Chair Padilla asked if the City had knowledge to whether the park owner received concessions and Staff Kurz indicated that the City was only involved in the litigation regarding the code violations not the acquisition that was a private transaction.

Helen Kellish, Brentwood resident, asked if the park owner has spoken to any of the residents whom signed the agreement, and Mr. Dahlin indicated that Mr. Johnloz had spoken to almost all of them.

Irene Bourke indicated that if they purchased a broken park they should have received a good deal on the purchase. They should be allowed to receive a fair return over the life of the park, but not receive immediate return.

Norma Runyon, Brentwood resident, also inquired into the 70 residents that agreed to the increase.

Chair Padilla concluded the public hearing process.

Deputy City Attorney Silva stated that the Board was entitled to request any pertinent documents to determine if the owners had received concession for the improvements and therefore could not be reimbursed. Mr. Johnloz, park owner, advised that the closing statement shows the property was purchased with no concessions. There was also some money escrowed from the proceeds to satisfy the City fines against the previous owner.

Member Gonzalez, questioned whether the condition of the park was considered in the price. Mr. Johnloz indicated that they purchased the park in the condition it was in but also understood that based on the City's ordinance they would be able to petition for an increase within a reasonable time after the purchase. They purchased the park in the condition it was in.

Member Epstein asked whether the owner's knew if the ground lease extension was a given after the purchase. Mr. Johnloz indicated that they did not know if they would be able to successfully extend the lease at time of purchase.

Chair Padilla indicated they would now move to Commission deliberation.

Chair Padilla asked if there would be documentation that would answer the questions regarding the purchase and whether concessions were taken. Deputy City Attorney Silva answered that the Commission can ask for additional information; however he is unsure whether there is documentation to answer those questions.

Chair Padilla asked the Board if the matter should be tabled for the present. Commissioner Gonzales made a motion to continue the item until June 16th. Commissioner Davis seconded the motion and it carried 5-0.

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4. MEMBER'S COMMENTS

No comments.

5. PUBLIC COMMUNICATIONS

No comments.

6. ADJOURNMENT – Meeting was adjourned at 9:18 p.m.

Recorder, Stacey Kurz